

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sylvan Lake	County Oakland
Fiscal Year End June 30, 2006	Opinion Date October 6, 2006	Date Audit Report Submitted to State December 29, 2006	

We affirm that:

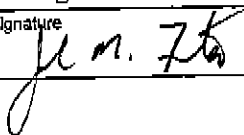
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.		Telephone Number (248) 646-9666	
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State Zip MI 48304-2377
Authorizing CPA Signature 		Printed Name John M. Foster	License Number 1101016537

CITY OF SYLVAN LAKE
OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts

June 30, 2006

CITY OF SYLVAN LAKE, MICHIGAN

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CITY OF SYLVAN LAKE, MICHIGAN

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JANZ & KNIGHT, P.L.C.

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50
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MICHIGAN ASSOCIATION OF
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INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of Sylvan Lake
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvan Lake, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sylvan Lake, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake, Michigan, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvan Lake, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

October 6, 2006

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sylvan Lake's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$3,305,726 at the close of the year ended June 30, 2006. This represents an increase of \$201,943 or a 7% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase, of approximately \$18,000. The business-type activity has experienced a \$184,000 increase in net assets. This is primarily because of an operating surplus in the Sewer Service Fund. The majority of this surplus was the result of the infrastructure improvement project which has improved efficiency of the system resulting in decreased spending cost.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2006 and 2005:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current and other assets	\$ 1,537,948	\$ 1,742,511	\$ 1,447,277	\$ 1,447,257	\$ 2,985,225	\$ 3,189,768
Capital assets	<u>4,306,348</u>	<u>4,256,624</u>	<u>2,488,369</u>	<u>2,377,898</u>	<u>6,794,717</u>	<u>6,634,522</u>
Total assets	<u>\$ 5,844,296</u>	<u>\$ 5,999,135</u>	<u>\$ 3,935,646</u>	<u>\$ 3,825,155</u>	<u>\$ 9,779,942</u>	<u>\$ 9,824,290</u>
LIABILITIES AND NET ASSETS						
Current and other liabilities	\$ 384,710	\$ 392,225	\$ 159,505	\$ 148,282	\$ 544,215	\$ 540,507
Long term debt outstanding	<u>4,025,000</u>	<u>4,190,000</u>	<u>1,905,000</u>	<u>1,990,000</u>	<u>5,930,000</u>	<u>6,180,000</u>
Total liabilities	\$ 4,409,710	\$ 4,582,225	\$ 2,064,505	\$ 2,138,282	\$ 6,474,215	\$ 6,720,507
Net assets:						
Invested in capital assets, net of related debt	304,780	337,608	498,369	307,897	803,149	645,505
Restricted	655,539	143,029			655,539	143,029
Unrestricted	<u>474,267</u>	<u>936,273</u>	<u>1,372,772</u>	<u>1,378,976</u>	<u>1,847,039</u>	<u>2,315,249</u>
Total net assets	<u>\$ 1,434,586</u>	<u>\$ 1,416,910</u>	<u>\$ 1,871,141</u>	<u>\$ 1,686,873</u>	<u>\$ 3,305,727</u>	<u>\$ 3,103,783</u>
Total liabilities and net assets	<u>\$ 5,844,296</u>	<u>\$ 5,999,135</u>	<u>\$ 3,935,646</u>	<u>\$ 3,825,155</u>	<u>\$ 9,779,942</u>	<u>\$ 9,824,290</u>

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2006

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$656,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2006 and 2005:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenue:						
Charges for services	\$ 363,417	\$ 298,469	\$ 672,631	\$ 726,090	\$ 1,036,048	\$ 1,024,559
Operating grants and contributions	123,243	122,268			123,243	122,268
Capital grants and contributions	14,053	51,066			14,053	51,066
General revenue:						
Property taxes	1,275,430	1,184,539	171,910	166,804	1,447,340	1,351,343
State shared revenue	150,161	151,423			150,161	151,423
Interest income	67,103	41,318	60,272	28,103	127,375	69,421
Franchise fees	22,832	22,127			22,832	22,127
Miscellaneous	4,948	6,470			4,948	6,470
Sale of fixed assets		2,681				2,681
Transfer		(3,326)		3,326		
Total revenue	\$ 2,021,187	\$ 1,877,035	\$ 904,813	\$ 924,323	\$ 2,926,000	\$ 2,801,358
Program expenses:						
General government	220,095	228,518			220,095	228,518
Public safety	785,734	762,042			785,734	762,042
Public works	671,486	627,491			671,486	627,491
Community and economic development	68,885	29,272			68,885	29,272
Recreation and culture	96,251	101,570			96,251	101,570
Interest on long term debt	161,060	165,368			161,060	165,368
Sewer and water			710,860	683,543	710,860	683,543
Recreational vehicle storage			9,685	11,351	9,685	11,351
Total program expenses	\$ 2,003,511	\$ 1,914,261	\$ 720,545	\$ 694,894	\$ 2,724,056	\$ 2,609,155
Increase (decrease) in net assets	\$ 17,676	\$ (37,226)	\$ 184,268	\$ 229,429	\$ 201,944	\$ 192,203
Net assets - beginning of year	1,416,910	1,454,136	1,686,873	1,457,444	3,103,783	2,911,580
Net assets - end of year	\$ 1,434,586	\$ 1,416,910	\$ 1,871,141	\$ 1,686,873	\$ 3,305,727	\$ 3,103,783

As shown in the above table total revenues were approximately \$2.9 million, of which 49% was obtained from property taxes, 35% for fees charged for services and 5% for state shared revenues. Total expenses were approximately \$2.7 million, of which 26% was for sewer and water operations, 29% for public safety and 25% for public works.

Business Type Activities

The City's business-type activities consists of the Sewer and Water Operation Funds and Recreational Vehicle Storage Fund. The City provides sewer service to 838 customers and water service to 856 customers. During the year the City constructed Sewer and Water System improvements of \$97,210 and \$72,381, respectively.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2006

The City Funds

The analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2006 include the General Fund, Major Road Fund, Local Road Fund, Garbage and Rubbish Collection Fund, Street Drainage Debt Fund and the Street Drainage Capital Project Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$1,289,000. Of this revenue, 55% was from property taxes, 24% was from charges for services and 12% was from state shared revenues. Total expenditures for the year were approximately \$1,303,000. Of these expenditures, 45% was for public safety and 13% was for general government. At June 30, 2006 the unreserved fund balance of \$491,761 represented 38% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2006 was \$192,578.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2006 was \$136,443.

The Garbage and Rubbish Collection fund accounts for the collection for garbage and rubbish within the City. The fund balance of this fund at June 30, 2006 was \$162,971.

The Street and Drainage Debt Service Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs associated with the construction of City streets and drains. The fund balance of this fund at June 30, 2006 was \$8,286.

The Street and Drainage Capital Project Fund is a capital project fund used to account for financial resources such as bond proceeds and other revenue necessary for the purpose of construction on City streets and drains. The fund balance of this fund at June 30, 2006 was \$188,432.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Charges for services revenue was amended to reflect the administration services provided for capital projects. Public works salaries were amended to reflect the labor cost associated with capital project administrations.

City departments overall stayed below budget, resulting in total expenditures \$24,893 below budget. In addition, actual revenue exceeded budgeted amounts by \$55,908. This resulted in the General Fund's use of prior year fund balance of approximately \$15,000 compared to \$99,000 budgeted.

Capital Asset and Debt Administration

At the end of June 30, 2006, the City had \$6,794,717 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and water and sewer lines.

During the year, the City spent \$243,998 on the major and local streets construction project which started prior to 2004.

Other major expenditures for capital asset during the year included the following:

1. Sewer System improvements - \$97,210;
2. Water System Improvements - \$72,381;
3. Water meters and reading equipment - \$28,465.

Long-Term Debt

The City's total indebtedness at June 30, 2006 was \$6,180,000. No new debt was issued during the current fiscal year. The City maintains a "A+" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2006

Economic Factors and Next Year's Budgets and Rates

The City's 2007 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2007 are as follows:

	<u>2006/07</u>	<u>2005/06</u>
Operating:		
General operating	6.8941	6.9386
Garbage and rubbish	2.0680	2.0814
Library	0.2249	0.2264
Community promotion		
economic development	<u>0.5059</u>	<u>0.5396</u>
	9.6929 mills	9.7860 mills
Debt services	<u>5.0255</u>	<u>5.1968</u>
Total	<u>14.7184</u> mills	<u>14.9828</u> mills

Charge for administrative services for capital projects will decrease as these projects are completed.

Contributions for park improvements will decrease subsequent to the restroom construction.

Expenditures:

Park improvements will require increased costs.

Costs of the community center will also increase.

Fire protection has been adjusted to reflect cost increases.

The 2007 General Fund budget expects a small excess of revenues. The projected General Fund's fund balance at June 30, 2007 is approximately \$552,400 which represents approximated 43% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Sylvan Lake, 1820 Inverness Avenue, Sylvan Lake, Michigan 48320.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and investments	\$ 1,394,694	\$ 1,325,082	\$ 2,719,776
Receivables:			
Taxes	10,694		10,694
Customers		129,001	129,001
Interest	12,989	243	13,242
Other	6,119		6,119
Due from other governments	45,912		45,912
Internal balances	7,049	(7,049)	
Prepaid and other assets	12,245		12,245
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	16,058		16,058
Receivable - Agency Funds	32,178		32,178
Capital assets, net:			
Depreciable	3,989,632	2,488,369	6,478,001
Nondepreciable	316,716		316,716
Total assets	\$ 5,844,296	\$ 3,935,646	\$ 9,779,942
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 130,429	\$ 50,996	\$ 181,427
Accrued wages	11,860	660	12,540
Accrued interest	39,834	22,827	62,661
Due to other governments	134		134
Compensated absences	37,453		37,453
Noncurrent liabilities:			
Due within one year	165,000	85,000	250,000
Due in more than one year	4,025,000	1,905,000	5,930,000
Total liabilities	\$ 4,409,710	\$ 2,064,505	\$ 6,474,215
Net assets:			
Invested in capital assets, net of related debt	304,760	498,369	803,149
Restricted for:			
Major and Local Roads	329,021		329,021
Garbage and Rubbish	162,371		162,371
Community Promotion/Economic Development	13,410		13,410
Building Department	73		73
Library	522		522
Lake Level/Drains	15,322		15,322
Capital Projects	86,584		86,584
Other	48,236		48,236
Unrestricted	474,267	1,372,772	1,847,039
Total net assets	\$ 1,434,586	\$ 1,871,141	\$ 3,305,727
Total liabilities and net assets	\$ 5,844,296	\$ 3,935,646	\$ 9,779,942

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 220,095	\$ 210,090	\$ 6,336	\$
Public safety	785,734	70,602	112,730	
Public works	671,486		4,177	
Community and economic development	68,885			
Recreation and culture	96,251	82,725		14,053
Interest on long term debt	161,060			
Total governmental activities	\$ 2,003,511	\$ 363,417	\$ 123,243	\$ 14,053
Business-type activity:				
Sewer	\$ 414,007	\$ 403,495	\$	\$
Water	296,853	256,136		
Recreational vehicle storage	9,685	13,000		
Total business-type activities	\$ 720,545	\$ 672,631	\$	\$
Total primary government	\$ 2,724,056	\$ 1,036,048	\$ 123,243	\$ 14,053

General revenues:

Property taxes
State shared revenues
Interest income
Franchise fees
Miscellaneous

Total general revenues

Changes in net assets

Net assets - July 1, 2005

Net assets - June 30, 2006

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (10,005)	\$	\$ (10,005)
(708,796)		(708,796)
(558,756)		(558,756)
(64,708)		(64,708)
527		527
(161,060)		(161,060)
<u>\$ (1,502,798)</u>	<u>\$</u>	<u>\$ (1,502,798)</u>
 \$	 \$ (10,512)	 \$ (10,512)
	(40,717)	(40,717)
	3,315	3,315
<u>\$</u>	<u>\$ (47,914)</u>	<u>\$ (47,914)</u>
 \$ (1,502,798)	 \$ (47,914)	 \$ (1,550,712)
 1,275,430	 171,910	 1,447,340
150,161		150,161
67,103	60,272	127,375
22,832		22,832
4,948		4,948
<u>\$ 1,520,474</u>	<u>\$ 232,182</u>	<u>\$ 1,752,656</u>
 \$ 17,676	 \$ 184,268	 \$ 201,944
<u>1,416,910</u>	<u>1,686,873</u>	<u>3,103,783</u>
<u>\$ 1,434,586</u>	<u>\$ 1,871,141</u>	<u>\$ 3,305,727</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
ASSETS					
Cash and Investments.	\$ 468,358	\$ 176,464	\$ 129,900	\$ 172,765	\$ 10,768
Receivables:					
Taxes	10,694				
Interest.	12,999				
Other	6,119				
Due from other funds.	19,888	4,101	2,807	586	
Due from other governments.	28,279	12,356	5,277		
Prepaid and other assets.	12,245				
Cash - restricted	16,058				
Due from other funds - restricted	32,178				
Total assets.	\$ 606,818	\$ 192,921	\$ 137,984	\$ 173,351	\$ 10,768
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable.	\$ 28,731	\$ 85	\$	\$ 10,957	\$
Accrued salaries and wages.	9,852	258	258	23	
Due to other funds.	15,993		1,283		2,500
Due to other governments.					
Total liabilities	\$ 54,576	\$ 343	\$ 1,541	\$ 10,980	\$ 2,500
Fund balance:					
Reserved:					
Prepaid expenses.	12,245				
Other	48,236				
Unreserved, reported in:					
General Fund.	491,761				
Special Revenue Funds		192,578	136,443	162,371	
Debt Service.					8,288
Capital Project Funds					
Total fund balance.	\$ 552,242	\$ 192,578	\$ 136,443	\$ 162,371	\$ 8,288
Total liabilities and fund balance.	\$ 606,818	\$ 192,921	\$ 137,984	\$ 173,351	\$ 10,768

Street and Drainage Capital Project Fund	Non-Major Governmental Funds	Governmental Funds
\$ 277,670	\$ 130,648	\$ 1,366,793
		10,694
		12,999
		6,119
	197	27,679
		45,912
		12,245
		16,058
		32,178
<u>\$ 277,670</u>	<u>\$ 131,045</u>	<u>\$ 1,530,577</u>
\$ 82,342	\$ 550	\$ 122,665
	1,469	11,860
6,896		26,672
	134	134
<u>\$ 89,238</u>	<u>\$ 2,153</u>	<u>\$ 161,331</u>
		12,245
		48,236
		491,761
	29,327	520,719
	12,981	21,269
168,432	66,584	275,018
<u>\$ 168,432</u>	<u>\$ 128,892</u>	<u>\$ 1,369,246</u>
<u>\$ 277,670</u>	<u>\$ 131,045</u>	<u>\$ 1,530,577</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2006

Total governmental fund balances.		\$ 1,369,246
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets	\$ 5,112,236	
Less accumulated depreciation	(812,772)	4,299,464
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest.		(4,267,287)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets		33,163
Net assets of governmental activities		\$ 1,434,586

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
Revenues:					
Taxes	\$ 707,379	\$	\$	\$ 191,478	\$ 259,795
Licenses and permits	4,466				
Federal sources	4,177				
State sources	155,313	74,831	31,958	907	
Charges for services	312,114		1,073		
Fines and forfeitures	21,230				
Interest earnings	13,470	9,443	6,656	11,681	1,551
Other	70,542				
Total revenues	\$ 1,288,713	\$ 84,274	\$ 39,687	\$ 204,066	\$ 261,346
Expenditures:					
Current:					
General government	171,232				100
Public safety	585,719				
Public works	145,504	35,699	29,923	193,292	
Community and economic development	25,795				
Recreation and culture	58,881				
Other	264,576				
Capital outlay	50,747	71,979	172,019		
Debt service:					
Principal payments					110,000
Interest and fiscal charges					151,645
Total expenditures	\$ 1,302,454	\$ 107,678	\$ 201,942	\$ 193,292	\$ 261,745
Excess of revenues over (under) expenditures	\$ (13,741)	\$ (23,604)	\$ (162,255)	\$ 10,774	\$ (399)
Other financing sources (uses):					
Operating transfers in		71,979	190,727		
Operating transfers out	(800)	(18,706)			
Total other financing sources (uses)	\$ (800)	\$ 53,271	\$ 190,727	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ (14,541)	\$ 29,667	\$ 28,472	\$ 10,774	\$ (399)
Fund balance - July 1, 2005	566,783	162,911	107,971	151,597	6,687
Fund balance - June 30, 2006	\$ 552,242	\$ 192,578	\$ 136,443	\$ 162,371	\$ 6,288

Street and Drainage Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 116,778	\$ 1,275,430
	34,950	39,438
		4,177
	99	263,108
		313,187
		21,230
16,446	6,181	66,428
		70,542
\$ 16,446	\$ 158,008	\$ 2,052,540
	300	171,632
	35,687	621,406
	1,965	406,583
	37,483	63,278
	20,922	79,803
		264,576
		294,746
	35,000	145,000
	10,516	162,161
\$	\$ 141,873	\$ 2,209,184
\$ 16,446	\$ 16,135	\$ (156,643)
	800	263,506
(243,998)		(263,506)
\$ (243,998)	\$ 800	\$
\$ (227,552)	\$ 16,935	\$ (156,644)
415,984	111,957	1,525,890
\$ 188,432	\$ 128,892	\$ 1,369,246

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net change in fund balances - total governmental fund \$ (156,644)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
In the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$ 294,745	
Current year depreciation	<u>(243,166)</u>	51,577

Governmental funds only report disposal of assets to the
extent proceeds are received from the sale; in the statement
of activities, a gain or loss is reported for each disposal

Accrued interest is recorded in the statement of activities	1,101
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Repayment of bond principal is an expenditure in governmental funds, but not in the statement of activities (where it reduces long-term debt)	145,000
---	---------

(Increase) In accumulated employee vacation and sick pay are recorded when earned in the statement of activity	(123)
---	-------

Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities	(23,235)
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Change in net assets of governmental activities	<u>\$ 17,676</u>
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Total	
ASSETS					
Cash and investments	\$ 635,482	\$ 658,766	\$ 30,834	\$ 1,325,082	\$ 27,901
Receivables:					
Customers	76,093	52,906		129,001	
Interest		243		243	
Due from other funds	1,310	2,021		3,331	
Building and Improvements			11,047	11,047	57,042
Accumulated depreciation			(11,047)	(11,047)	(50,158)
Machinery and equipment	1,683,343	1,512,789		3,196,132	
Accumulated depreciation	(303,157)	(404,606)		(707,763)	
Total assets	<u>\$ 2,093,071</u>	<u>\$ 1,822,121</u>	<u>\$ 30,834</u>	<u>\$ 3,946,026</u>	<u>\$ 34,765</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 23,161	\$ 27,837	\$	\$ 50,998	\$
Accrued salaries and wages	340	340		680	
Accrued interest	13,084	9,743		22,827	
Due to other funds	5,625	4,188	567	10,380	1,622
Current portion of long-term debt	48,722	36,276		85,000	
Total current liabilities	\$ 90,932	\$ 78,386	\$ 567	\$ 169,885	\$ 1,622
Long-term debt - net of current portion	1,091,946	813,054		1,905,000	
Total liabilities	\$ 1,182,878	\$ 891,440	\$ 567	\$ 2,074,885	\$ 1,622
Net assets:					
Invested in capital assets	239,518	258,851		498,369	6,864
Unrestricted	670,675	671,830	30,267	1,372,772	26,279
Total net assets	<u>\$ 910,193</u>	<u>\$ 930,681</u>	<u>\$ 30,267</u>	<u>\$ 1,871,141</u>	<u>\$ 33,163</u>
Total liabilities and net assets	<u>\$ 2,093,071</u>	<u>\$ 1,822,121</u>	<u>\$ 30,834</u>	<u>\$ 3,946,026</u>	<u>\$ 34,765</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Combined Total	
Operating revenues:					
Charges for services	\$ 396,516	\$ 251,295	\$ 13,000	\$ 660,811	\$ 5,050
Penalties	6,979	4,841		11,820	
Total operating revenue	\$ 403,495	\$ 256,136	\$ 13,000	\$ 672,631	\$ 5,050
Operating expenses:					
Contractual services	244,477	140,001		384,478	
Utilities	807	756	324	1,887	4,264
Administrative charges	15,000	19,500		34,500	
Salaries and benefits	32,897	30,341	2,039	65,277	5,628
Repairs and maintenance	10,222	8,647	32	18,901	17,574
Insurance	4,147	4,147		8,294	
Professional services	3,335	5,825		9,160	440
Municipal garage rental	850	850		1,700	
Equipment rental	2,390	1,894		4,284	
Depreciation	45,910	41,674		87,584	1,653
Printing and miscellaneous	985	3,772	7,290	12,047	
Total operating expenses	\$ 361,020	\$ 257,407	\$ 9,685	\$ 628,112	\$ 20,959
Operating Income (loss)	\$ 42,475	\$ (1,271)	\$ 3,315	\$ 44,519	\$ (24,909)
Nonoperating revenue (expense):					
Interest earnings	32,495	25,814	1,963	60,272	1,674
Interest expense	(52,829)	(39,329)		(92,158)	
Debt service charges	98,539	73,371		171,910	
Other	(158)	(117)		(275)	
Total nonoperating revenue	\$ 78,047	\$ 59,739	\$ 1,963	\$ 139,749	\$ 1,674
Change in net assets	\$ 120,522	\$ 58,468	\$ 5,278	\$ 184,268	\$ (23,235)
Net assets - July 1, 2005	789,671	872,213	24,989	1,666,873	56,398
Net assets - June 30, 2006	\$ 910,193	\$ 930,681	\$ 30,267	\$ 1,871,141	\$ 33,163

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Combined Total	
Cash flows from operating activities:					
Receipts from customers	\$ 431,219	\$ 263,006	\$ 10,475	\$ 704,700	\$ 7,575
Receipts from interfund services provided					(22,278)
Payments to suppliers	(257,678)	(161,789)	(502)	(419,969)	(4,206)
Payments to employees	(26,966)	(24,176)	(2,376)	(53,518)	
Payments for internal services used	(21,760)	(27,997)	(7,290)	(57,047)	
Net cash provided by (used in) operating activities	\$ 124,815	\$ 49,044	\$ 307	\$ 174,166	\$ (18,909)
Cash flows from capital and related financing activities:					
Collection of debt service charges	98,539	73,371		171,910	
Purchase of capital assets	(113,526)	(84,530)		(198,056)	
Principal and interest paid on capital debt	(99,166)	(73,631)		(172,997)	
Net cash (used in) capital and related financing activities	\$ (114,153)	\$ (84,990)	\$	\$ (199,143)	\$
Cash flows from investing activities:					
Interest income	32,495	30,927	1,968	65,385	1,674
Net increase (decrease) in cash	\$ 43,157	\$ (5,019)	\$ 2,270	\$ 40,408	\$ (17,235)
Cash and cash equivalents - July 1, 2005	592,325	663,785	28,564	1,284,674	45,136
Cash and cash equivalents - June 30, 2006	\$ 635,482	\$ 658,766	\$ 30,834	\$ 1,325,082	\$ 27,901
Operating activities:					
Operating income (loss)	\$ 42,475	\$ (1,271)	\$ 3,315	\$ 44,519	\$ (24,909)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:					
Depreciation	45,910	41,674		67,584	1,853
Changes in operating assets and liabilities:					
Decrease in accounts receivable	27,725	6,870		34,596	2,525
Increase (decrease) in accounts payable	7,227	(898)	(148)	6,383	
Increase (decrease) in accrued wages	340	340		680	
Increase (decrease) in due to other funds	1,138	2,128	(2,862)	404	1,622
Net cash provided by (used in) operating activities	\$ 124,815	\$ 49,044	\$ 307	\$ 174,166	\$ (18,909)

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2006

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ 101,929
Due from other funds	<u>7,765</u>
Total assets	<u>\$ 109,694</u>
LIABILITIES	
Accounts payable	\$ 77,500
Due to other funds	32,176
Due to other governments	<u>16</u>
Total liabilities.	<u>\$ 109,694</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Sylvan Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Sylvan Lake.

Reporting Entity

The City of Sylvan Lake is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, and recreational vehicle storage in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and the unrestricted resources as they are needed.

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on major roads.

Local Road Fund

The Local Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on local roads.

Garbage and Rubbish Collection Fund

The Garbage and Rubbish Collection Fund is a special revenue fund used to account for the resources obtained through property taxes that are restricted for collection of garbage and rubbish.

Street and Drainage Debt Fund

The Street and Drainage Debt Fund is a debt service fund used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the construction of City streets and drains.

Street and Drainage Capital Project Fund

The Street and Drainage Capital Project Fund is a capital project fund used to account for financial resources such as proceeds of bond issue and other revenue necessary for the purpose of constructing City streets and drains.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)Proprietary Fund

The City reports the following major proprietary funds:

Water Revenue Fund

The Water Revenue Fund accounts for the operation, maintenance and distribution of the water system.

Sewer Service Fund

The Sewer Service Fund accounts for the operation, maintenance and collection of the sewer system.

Internal Service Fund

The City's only Internal service fund is the Municipal Garage Fund. This fund accounts for the costs of maintaining automotive equipment used by various City departments. Costs are billed to the departments for labor and materials at actual cost with the elimination of the effect of internal service fund activity adjusted to break even.

Fiduciary FundsAgency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Sylvan Lake property tax is levied on July 1 on the taxable valuation of property (as defined by State statutes) located in the City of Sylvan Lake as of the preceding December 31st.

The City has a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period July 1 through August 31 with the final collection date of February 28. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year.

The 2005 taxable valuation of the City of Sylvan Lake totaled \$91,997,180 and is used for the July 1, 2005 tax bills; this resulted in property tax revenue as follows:

<u>Purpose</u>	<u>Mills Levied</u>	<u>Approximate Revenue</u>
City operating millage	6.9366	\$ 638,000
Fire bond retirement	.4874	45,000
Library operations	.2264	21,000
Water/sewer infrastructure bond retirement	1.8687	172,000
Sanitation operations	2.0814	191,000
Street and drainage bond retirement	2.8240	269,000
Lake level operations	.0167	1,500
Community promotion/economic development	.5396	50,000

Assets, Liabilities, and Net Assets or EquityCash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and investments".

For purposes of the Statement of Cash Flows, the propriety funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CITY SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets represent unspent operating grants and contributions. Certain donations have been placed in the Escrow Fund until the designated funds are spent.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Depreciation of all exhaustible fixed assets used by proprietary fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water System	34-61.2
Buildings and Improvements	25-50
Vehicles	5-10
Furniture and Equipment	5-20
Sewer System	20-50
Roads	20

Compensated Absences (Sick Leave)

Sick pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Rounding

For financial statements purposes, amounts are rounded to the nearest dollar. Combining non-rounded amounts may result in minor report differences.

NOTE B - Expenditures Over BudgetBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The City Manager can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Sylvan Lake incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Employee benefits	\$ 257,527	\$ 264,576	\$ 7,049
General	Capital outlay		50,747	50,747
Major Road	Construction		71,979	71,979*
Local Road	Construction		172,019	172,019*

*Construction expenditure budgeted in capital project fund.

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer maintains a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's cash deposits are in accordance with statutory authority and the investment policy of the City.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$1,629,106 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Interlocal agreement fund	\$ 567,423	31 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Interlocal agreement fund - MBIA	\$ 567,423		Not rated

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 316,716	\$	\$	\$ 316,716
Capital Assets Being Depreciated:				
Roads	3,840,367	243,998		4,084,365
Buildings and improvements	335,446	22,308		357,754
Vehicles	242,482	28,439		270,921
Furniture and equipment	<u>139,523</u>			<u>139,523</u>
Subtotal	\$ 4,557,818	\$ 294,745	\$	\$ 4,852,563
Less Accumulated Depreciation for:				
Roads	195,996	192,018		388,014
Buildings and improvements	183,519	10,220		193,739
Vehicles	158,742	32,941		191,683
Furniture and equipment	<u>79,653</u>	<u>9,841</u>		<u>89,494</u>
Subtotal	\$ 617,910	\$ 245,020	\$	\$ 862,930
Net Capital Assets Being Depreciated	\$ 3,939,908	\$ 49,725	\$	\$ 3,989,633
Net Capital Assets	\$ 4,256,625	\$ 49,725	\$	\$ 4,306,349
Business-Type Activities:				
Capital Assets Being Depreciated:				
Improvements	\$ 11,047	\$	\$	\$ 11,047
Vehicle	21,753			21,753
Machinery and equipment	313,229	28,465		341,694
Sewer system	1,339,187	97,210		1,436,397
Water system	<u>1,323,907</u>	<u>72,381</u>		<u>1,396,288</u>
Subtotal	\$ 3,009,123	\$ 198,056	\$	\$ 3,207,179
Less Accumulated Depreciation for:				
Improvements	11,047			11,047
Vehicles	3,263	4,350		7,613
Machinery and equipment	69,530	21,008		90,538
Sewer system	196,208	31,632		227,840
Water system	<u>351,179</u>	<u>30,593</u>		<u>381,772</u>
Subtotal	\$ 631,227	\$ 87,583	\$	\$ 718,810
Net Capital Assets Being Depreciated	\$ 2,377,896	\$ 110,473	\$	\$ 2,488,369
Net Capital Assets	\$ 2,377,896	\$ 110,473	\$	\$ 2,488,369

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,690
Public Safety	19,259
Public Works	210,411
Recreation and Culture	10,807
Other	<u>1,853</u>
Total Governmental Activities	<u>\$245,020</u>
Business-Type Activities:	
Water and Sewer	<u>\$ 87,584</u>

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE D - Capital Assets (continued)

Construction Commitments

The government has an active street and drainage project. At year-end the government's commitment for the contract is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer and drainage	\$ 2,548,327	\$ 179,000

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Street and Drainage Debt Fund	\$ 2,500
	Street and Drainage Capital Project Fund	5,385
	Sewer Service Fund	5,625
	Water Revenue Fund	4,188
	Recreational Vehicle Storage Fund	588
	Municipal Garage	1,622
	Agency Fund	<u>32,178</u>
	Total General Fund	\$52,086
Special Revenue Funds:		
Major Street Fund	General Fund	2,818
	Local Road Fund	<u>1,283</u>
		\$ 4,101
Local Road Fund	General Fund	2,807
Garbage and Rubbish Collection Fund	General Fund	586
Community Promotion/Economic Development	General Fund	<u>197</u>
	Total Special Revenue Funds	\$ 7,691
Agency Funds:		
Escrow Fund	General Fund	6,254
	Street and Drainage Capital Project Fund	<u>1,511</u>
	Total Agency Funds	\$ 7,765
Proprietary Funds:		
Sewer Service Fund	General Fund	1,310
Water Revenue Fund	General Fund	<u>2,021</u>
	Total Proprietary Funds	\$ 3,331
	Total interfund receivable	<u>\$70,853</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE E - Interfund Receivables, Payables and Transfers (continued)Interfund Transfers

Transfers In	Transfers (Out)			
	General Fund	Major Road Fund	Street and Drainage Capital Project Fund	Total
Major Road Fund	\$	\$	\$ 71,979	\$ 71,979
Local Road Fund		18,708	172,019	190,727
Building Department Fund	800			800
	<u>\$ 800</u>	<u>\$ 18,708</u>	<u>\$ 243,998</u>	<u>\$263,506</u>

Transfers of unrestricted revenues collected in the General Fund and Major Road Fund in accordance with budgetary authorizations. Street and Drainage Capital Project Fund transfers funds for construction project in Road Funds.

NOTE F - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2006:

	General Obligation Bonds	Compensated Absences	Total
Balance at July 1, 2005	\$4,335,000	\$ 37,330	\$4,372,330
Increase in obligation for compensated absences		123	123
Principal retirements	<u>(145,000)</u>		<u>(145,000)</u>
Balance at June 30, 2006	<u>\$4,190,000</u>	<u>\$ 37,453</u>	<u>\$4,227,453</u>

The following is a summary of long-term debt transactions of the City's Enterprise Funds for the year ended June 30, 2006:

	General Obligation Bonds
Balance at July 1, 2005	\$2,070,000
Principal retirements	<u>(80,000)</u>
Balance at June 30, 2006	<u>\$1,990,000</u>

General Obligations Bonds:

In May 1995, the City of Sylvan Lake sold general obligation bonds in the amount of \$460,000.00 for the purposes of funding their portion of the construction of the Tri-City Fire Building. The bonds were issued with varying rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2007	5.40	\$ 35,000	\$ 8,235
2008	5.40	40,000	6,210
2009	5.40	45,000	3,915
2010	5.40	<u>50,000</u>	<u>1,350</u>
		<u>\$ 170,000</u>	<u>\$ 19,710</u>

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE F - Long-Term Debt (continued)

During August 2001, the City of Sylvan Lake sold general obligation bonds in the amount of \$2,250,000 for the purposes of funding water and sewer infrastructure improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2007	4.200	\$ 85,000	\$ 89,522
2008	4.200	85,000	85,953
2009	4.300	85,000	82,340
2010	4.375	90,000	78,544
2011	4.400	115,000	74,045
2012	4.500	120,000	68,815
2013	4.500	125,000	63,303
2014	4.500	135,000	57,452
2015	4.600	140,000	51,195
2016	4.750	150,000	44,412
2017	4.750	155,000	37,169
2018	4.750	165,000	29,569
2019	4.750	170,000	21,612
2020	4.750	180,000	13,300
2021	4.750	190,000	4,512
		<u>\$1,990,000</u>	<u>\$ 801,743</u>

During February 2003, the City of Sylvan Lake sold general obligation bonds in the amount of \$4,250,000 for the purposes of funding street and drainage improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2007	2.30	\$ 130,000	\$ 148,660
2008	2.50	140,000	145,415
2009	2.80	150,000	141,565
2010	3.20	155,000	136,985
2011	3.30	195,000	131,287
2012	3.45	205,000	124,534
2013	3.45	215,000	117,289
2014	3.55	225,000	109,588
2015	3.65	235,000	101,304
2016	3.80	245,000	92,360
2017	3.90	260,000	82,635
2018	4.00	270,000	72,165
2019	4.05	290,000	60,892
2020	4.10	305,000	48,768
2021	4.20	320,000	35,795
2022	4.25	330,000	22,062
2023	4.30	350,000	7,525
		<u>\$4,020,000</u>	<u>\$1,578,827</u>

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE F - Long-Term Debt (continued)

Summary of Long-Term Debt Requirements:

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2006 (excluding compensated absences) are as follows:

Year ending June 30,	General Long-Term Debt		Enterprise Funds	
	Principal	Interest	Principal	Interest
2007	\$ 165,000	\$ 156,895	\$ 85,000	\$ 89,522
2008	180,000	151,625	85,000	85,953
2009	195,000	145,480	85,000	82,340
2010	205,000	136,335	90,000	78,544
2011	195,000	131,297	115,000	74,045
2012-2016	1,125,000	545,073	670,000	285,177
2017-2021	1,445,000	300,255	860,000	106,162
2022-2023	<u>680,000</u>	<u>29,587</u>		
	<u>\$4,190,000</u>	<u>\$1,598,537</u>	<u>\$1,990,000</u>	<u>\$ 801,743</u>

NOTE G - Restricted Assets

The balances of the restricted asset accounts are as follows:

General Fund:	
Police training	\$ 575
Park equipment	2,405
Community center	23,935
Memorial park	175
Community promotion	2,504
Police enforcement	749
Public safety - K9	1,717
Road right-of-way	16,057
Nature trail	<u>119</u>
	<u>\$48,236</u>

NOTE H - Defined Benefit Plan

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees are eligible to participate in the system. Employees and appointed officials who retire after age 60 with 10 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.0% of their 5-year final average compensation (FAC). Vested employees may retire after age 50 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1951 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at: 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit and personnel policy, which requires employees to contribute to the plan. Each member contributes the following percentage of his/her annual compensation: General - Non-union - 5 percent; Police - 3 percent of the first \$4,200 and 5 percent of the remaining. The City is required to contribute at an actuarially determined rate; the current rate was 3.04 percent for General - Non-union and 0.00 percent for Police.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE H - Defined Benefit Plan (continued)

For the fiscal year ended June 30, 2006, the City's annual pension cost of \$40,686 for the plan was equal to the City's required contribution of \$25,557 and elected contribution of \$15,129 for non-Union member contribution. The annual required contribution was determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual pay increases of 4.5 percent plus a percentage based on scale to reflect merit, longevity, and promotional pay increases. The December 31, 2005 actuarial valuation reflects a prospective adoption of ten year smoothing, instead of five year, for calculating valuation assets and a prospective gradual reduction of the amortization period from thirty years to twenty-five years.

Three Year Trend Information for GASB Statement No. 27

<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2004	\$ 8,619	100%	\$ -0-
June 30, 2005	15,965	100%	-0-
June 30, 2006	25,557	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
<u>December 31,</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			
2003	\$ 1,429,400	\$ 1,534,392	\$ 104,992	93.2%	\$444,535	23.6%
2004	1,474,210	1,678,379	204,169	87.8%	427,314	47.8%
2005	1,497,970	1,751,190	253,220	85.5%	451,590	56.1%

NOTE I - Postemployment Benefits

In addition to providing pension benefits, the City has elected to provide postemployment full family health insurance benefits to retirees of the City who retire at age 55 or older with a minimum of 10 years of service. The City pays the full cost of coverage for these benefits from the date of retirement until age 65, or they become eligible for Medicare-Medicaid whichever comes first; at that time, the employer shall provide a plan that supplements Medicare-Medicaid. Retirees age 55 or older with seven to nine years of service are entitled to health insurance for themselves and can purchase coverage for their dependents at the City's group rates. Currently, seven retirees are eligible for postemployment health benefits. During the fiscal year ended June 30, 2006, the City made payments for postemployment health benefit premiums of \$71,734. The City obtains health care coverage through private insurers. The City's cost of retiree health care benefits is recognized as an expense in the year the premium is paid.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE J - Joint Ventures and Related Organization

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2006 the Tri-City Fire Department has a fund surplus. Financial statements of the Tri-City Fire Department are available for review at the fire hall. As included in the General Fund statement of expenditures, during the year ended June 30, 2006 \$203,963 was paid for fire protection to the Tri-City Fire Department.

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

Pursuant to agreements with the City of Pontiac and West Bloomfield Township, the City is provided with sewer service. The agreements call for the City to lease sewer capacity from the two municipalities. Funds for operation of the system are provided by initial tap-in fees and sewer disposal service charges to customers.

NOTE K - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Risk Management Authority for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of god and environmental cleanup losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that will be used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The Michigan Municipal League Worker's Compensation Fund risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE L - Litigation and Contingent Liabilities

The City receives property taxes levied against real and personal property located in the City pursuant to the General Property Tax Laws of the State of Michigan. A number of entities owning property within the City have appealed their assessments to the Michigan Tax Tribunal. A reduction by the Tax Tribunal of any such assessments would result in a liability to the City to refund some taxes which have been collected. Management believes this liability could be approximately \$5,500, which has not been recorded in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Tax collections:				
Current taxes	\$ 642,313	\$ 642,313	\$ 636,333	\$ (3,980)
Administration fee	32,500	32,500	34,653	2,353
Interest and penalties	16,500	16,500	34,193	17,693
	<u>\$ 691,313</u>	<u>\$ 691,313</u>	<u>\$ 707,379</u>	<u>\$ 16,066</u>
Licenses and permits	4,720	4,720	4,486	(232)
Federal sources - Community development block grant. . .	5,000	5,000	4,177	(823)
State sources:				
Sales tax	150,341	150,341	147,333	(3,008)
Liquor licenses	1,900	1,900	1,822	(78)
Law enforcement	600	600	1,280	680
Road right of way	6,000	6,000	4,868	(1,132)
	<u>\$ 158,841</u>	<u>\$ 158,841</u>	<u>\$ 155,313</u>	<u>\$ (3,528)</u>
Charges for services:				
Charges for services - sales	600	600	398	(202)
Charges for services - fees	56,450	56,450	92,569	36,119
Charges for services - other funds:				
Major Road Fund	8,100	8,100	7,786	(314)
Local Road Fund	6,500	6,500	6,465	(35)
Garbage and Rubbish Collection Fund	13,000	13,000	10,391	(2,609)
Street and Drainage Capital Project Fund	40,447	56,000	61,062	5,062
Water/Sewer Infrastructure Capital Project Fund	50,522	76,500		(76,500)
Recreational Vehicle Storage Fund	7,290	7,290	7,290	
Sewer Service Fund	17,500	17,500	67,458	49,958
Water Revenue Fund	21,500	21,500	58,675	37,175
	<u>\$ 221,909</u>	<u>\$ 263,440</u>	<u>\$ 312,114</u>	<u>\$ 48,674</u>
Fines and forfeitures	15,000	15,000	21,230	6,230
Interest earnings	6,500	6,500	13,470	6,970
Other revenue:				
Cable TV	21,000	21,000	22,632	1,632
Leases	21,491	21,491	20,826	(665)
Contributions	22,500	22,500	18,950	(3,550)
Miscellaneous	23,000	23,000	7,934	(15,066)
	<u>\$ 87,991</u>	<u>\$ 87,991</u>	<u>\$ 70,542</u>	<u>\$ (17,449)</u>
Total revenues	\$ 1,191,274	\$ 1,232,805	\$ 1,288,713	\$ 55,908

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government:				
Legislative:				
City council:				
Salaries			\$ 386	
Membership and dues			1,999	
Miscellaneous			1,695	
	\$ 3,500	\$ 3,500	\$ 4,089	\$ (569)
City Manager:				
Salary			11,675	
Conferences and workshops			699	
Membership and dues			70	
	11,473	11,473	\$ 12,444	(971)
Elections:				
Salaries			2,244	
Office supplies			286	
Equipment			962	
Printing and publishing			629	
Miscellaneous			273	
	5,200	5,200	\$ 4,414	786
Assessor - contracted services	17,059	17,059	15,247	1,812
Attorney	16,500	20,500	20,102	398
Audit expense	3,960	8,079	8,079	
Board of Review:				
Salaries			300	
	550	550	\$ 300	250
Clerk-Treasurer:				
Salary			33,292	
Temporary and overtime help			261	
Conferences and workshops			1,185	
Membership and dues			210	
	37,422	37,422	\$ 34,948	2,474
City Hall and grounds:				
Salary			15,166	
Office supplies and postage			5,419	
Tax roll and statement preparation			11,512	
Printing and publishing			1,871	
Maintenance			15,053	
Telephone			3,620	
Utilities			4,974	
Repairs			715	
Miscellaneous			1,073	
	51,837	61,837	\$ 60,203	1,634

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Office expense:				
Supplies			2,096	
Equipment repairs and rental			6,456	
Contractual services			2,674	
	12,000	12,000	\$ 11,426	574
Total general government	\$ 161,501	\$ 177,620	\$ 171,232	\$ 6,388
Public safety:				
Police department:				
Salaries:				
Chief of Police			61,095	
Employees			160,302	
Temporary and overtime help			55,211	
Gas and Oil			11,543	
Uniforms			4,252	
Municipal garage rental			1,250	
Training			4,709	
Radio maintenance and dispatch			43,908	
Vehicle maintenance			6,145	
Conferences, workshops and memberships			305	
Miscellaneous supplies			14,286	
Contractual services			5,303	
	406,553	406,553	\$ 368,309	38,244
Fire protection:				
Contractual services			203,963	
Dispatch agreement			12,000	
	215,963	215,963	\$ 215,963	
Animal shelter	1,000	1,000	1,447	(447)
Total public safety	\$ 623,516	\$ 623,516	\$ 585,719	\$ 37,797
Public works:				
Salaries			110,586	
Gas and oil			7,255	
Repair and maintenance supplies			1,093	
Vehicle maintenance			4,208	
Radio maintenance			632	
Municipal garage rental			1,250	
Miscellaneous			269	
	89,522	130,022	\$ 125,293	4,729
Street lighting	18,000	18,000	20,211	(2,211)
Total public works	\$ 107,522	\$ 148,022	\$ 145,504	\$ 2,518

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning commission:				
Secretary			300	
Contractual services			21,541	
Membership and dues			1,200	
Printing and publishing			51	
Miscellaneous			315	
	6,350	23,850	\$ 23,407	443
CDBG Expenditures	5,000	5,000	2,388	2,612
Total community and economic development	\$ 11,350	\$ 28,850	\$ 25,795	\$ 3,055
Recreation and culture:				
Parks and recreation:				
Salaries			10,880	
Operating supplies and maintenance			2,832	
Taxes			7,803	
Contractual services			16,878	
Utilities			2,511	
Summer program			1,411	
Lake control			7,275	
Balls-to-trails maintenance			431	
Miscellaneous			2,872	
	72,294	72,294	\$ 52,693	19,601
Community Center:				
Salaries			1,496	
Maintenance and repair			1,246	
Utilities			1,234	
Miscellaneous			2,212	
	19,518	19,518	\$ 6,188	13,330
Total recreation and culture	\$ 91,812	\$ 91,812	\$ 58,881	\$ 32,931
Insurance and benefits:				
Insurance - General liability			16,908	
Employee benefits:				
Retirement contribution (Note H)			40,686	
Hospitalization			98,962	
Life insurance			5,355	
Other benefits			18,990	
Current employee benefits			\$ 163,993	
Retirees' benefits			71,734	
Workmen's compensation			10,413	
Unemployment			1,528	
			\$ 247,668	
Total insurance and benefits	230,527	257,527	\$ 264,576	(7,049)

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Capital outlay - equipment			50,747	(50,747)
Total expenditures	\$ 1,226,226	\$ 1,327,347	\$ 1,302,454	\$ 24,893
Excess revenues over (under) expenditures. . .	\$ (34,954)	\$ (94,542)	\$ (13,741)	\$ 80,801
Other financing uses:				
Operating transfers out.	4,421	4,421	800	3,621
Excess of revenues over (under) expenditures and other uses.	\$ (30,375)	\$ (90,963)	\$ (14,541)	\$ 84,422
Fund balance - July 1, 2005.	566,783	566,783	566,783	
Fund balance - June 30, 2006	\$ 527,408	\$ 467,820	\$ 552,242	\$ 84,422

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 79,964	\$ 79,964	\$ 74,831	\$ (5,133)
Interest earnings	1,500	1,500	9,443	7,943
Total revenues	\$ 81,464	\$ 81,464	\$ 84,274	\$ 2,810
Expenditures:				
Operating expenses:				
Salaries	17,992	17,992	11,405	6,587
Overtime	500	500	519	(19)
Benefits	500	500		500
Conferences and workshops	7,370	7,370	7,151	219
	\$ 26,362	\$ 26,362	\$ 19,075	\$ 7,287
Maintenance:				
Supplies	1,000	1,000	444	556
Contractual services	2,500	2,500	3,393	(893)
Rental	4,000	4,000	3,876	124
	\$ 7,500	\$ 7,500	\$ 7,713	\$ (213)
Traffic service maintenance:				
Supplies	500	500		500
Contractual services	3,500	3,500	2,361	1,139
Rental	100	100		100
	\$ 4,100	\$ 4,100	\$ 2,361	\$ 1,739
Winter maintenance:				
Supplies	4,000	4,000	1,371	2,629
Rental	4,000	4,000	3,909	91
	\$ 8,000	\$ 8,000	\$ 5,280	\$ 2,720
Administration:				
Equipment	500	500		500
Audit	885	1,470	1,470	
	\$ 1,385	\$ 1,970	\$ 1,470	\$ 500
Construction			71,979	(71,979)
Total expenditures	\$ 47,347	\$ 47,932	\$ 107,878	\$ (59,946)
Excess of revenues over (under) expenditures	\$ 34,117	\$ 33,532	\$ (23,604)	\$ (57,136)
Other financing sources (uses):				
Transfer from Capital Project Fund			71,979	71,979
Transfer to Local Road Fund	(19,991)	(19,991)	(16,708)	1,283
Total other sources (uses)	\$ (19,991)	\$ (19,991)	\$ 55,271	\$ 73,262
Excess of revenues and other sources over expenditures and other uses	\$ 14,126	\$ 13,541	\$ 29,667	\$ 16,126
Fund balance - July 1, 2005	162,911	162,911	162,911	
Fund balance - June 30, 2006	\$ 177,037	\$ 176,452	\$ 192,578	\$ 16,126

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 34,086	\$ 34,086	\$ 31,956	\$ (2,128)
County maintenance agreement	750	750	1,073	323
Interest earnings	500	500	6,656	6,156
Total revenues	\$ 35,336	\$ 35,336	\$ 39,687	\$ 4,351
Expenditures:				
Operating expenses:				
Salaries	17,992	17,992	11,517	6,475
Overtime			435	(435)
Benefits	7,370	7,370	7,162	208
Conferences and workshops	500	500		500
	\$ 25,862	\$ 25,862	\$ 19,114	\$ 6,748
Maintenance:				
Supplies	1,500	1,500	365	1,135
Contractual services	2,000	2,000	1,400	600
Rental	3,000	3,000	2,994	6
	\$ 6,500	\$ 6,500	\$ 4,759	\$ 1,741
Traffic service maintenance:				
Supplies	400	400	59	341
Contractual services	200	200		200
	\$ 600	\$ 600	\$ 59	\$ 541
Winter maintenance:				
Supplies	2,500	2,500	1,049	1,451
Rental	3,500	3,500	3,472	28
	\$ 6,000	\$ 6,000	\$ 4,521	\$ 1,479
Administration:				
Equipment	600	600		600
Audit	865	1,470	1,470	
	\$ 1,465	\$ 2,070	\$ 1,470	\$ 600
Construction			172,019	(172,019)
Total expenditures	\$ 40,447	\$ 41,032	\$ 201,942	\$ (160,910)
Excess of revenues over (under) expenditures	\$ (5,111)	\$ (5,696)	\$ (162,255)	\$ (156,559)
Other financing sources:				
Transfer from Capital Project Fund			172,019	172,019
Transfer from Major Road Fund	19,991	19,991	18,708	(1,283)
Total other financing sources	\$ 19,991	\$ 19,991	\$ 190,727	\$ 170,736
Excess of revenues and other sources over expenditures	\$ 14,680	\$ 14,295	\$ 28,472	\$ 14,177
Fund balance - July 1, 2005	107,971	107,971	107,971	
Fund balance - June 30, 2006	\$ 122,651	\$ 122,266	\$ 136,443	\$ 14,177

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GARBAGE AND RUBBISH FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 200,834	\$ 200,834	\$ 191,478	\$ (9,356)
State sources			907	907
Interest earnings	2,000	2,000	11,681	9,681
Total revenues.	\$ 202,834	\$ 202,834	\$ 204,066	\$ 1,232
Expenditures:				
Current:				
Salaries and benefits	13,468	13,468	11,459	2,009
Contractual services.	136,598	136,598	131,482	5,116
Audit expense	1,100	2,190	1,750	440
Municipal garage rental	850	850	850	
Equipment rental.	3,000	3,000	1,001	1,999
Repairs and maintenance	1,850	1,850	1,523	327
Leaf disposal program	55,000	55,000	43,927	11,073
Miscellaneous	1,700	1,700	1,300	400
Total expenditures.	\$ 213,566	\$ 214,658	\$ 193,292	\$ 21,364
Excess of revenues over (under) expenditures.	\$ (10,732)	\$ (11,822)	\$ 10,774	\$ 22,596
Fund balance - July 1, 2005	151,597	151,597	151,597	
Fund balance - June 30, 2006.	\$ 140,865	\$ 139,775	\$ 162,371	\$ 22,596

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE DEBT SERVICE FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 266,420	\$ 266,420	\$ 259,795	\$ (6,625)
Interest earnings	450	450	1,551	1,101
Total revenues	\$ 266,870	\$ 266,870	\$ 261,346	\$ (5,524)
Expenditures:				
Audit fees	100	100	100	
Debt Service:				
Principal	110,000	110,000	110,000	
Interest	151,420	151,420	151,420	
Paying agent fees	350	350	225	125
Total expenditures	\$ 261,870	\$ 261,870	\$ 261,745	\$ 125
Excess of revenues over (under) expenditures . . .	\$ 5,000	\$ 5,000	\$ (399)	\$ (5,399)
Fund balance - July 1, 2005	8,687	8,687	8,687	
Fund balance - June 30, 2006	\$ 13,687	\$ 13,687	\$ 8,288	\$ (5,399)

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CITY OF SYLVAN LAKE, MICHIGAN
 BUDGETARY COMPARISON SCHEDULE
 STREET AND DRAINAGE CAPITAL PROJECT FUND
 For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues - interest earnings.	\$ 10,000	\$ 10,000	\$ 16,446	\$ 6,446
Other financing uses:				
Transfer to Road Funds.	392,722	393,822	243,998	149,824
Total other financing uses.	\$ 392,722	\$ 393,822	\$ 243,998	\$ 149,824
Excess of revenues (under) other uses	\$ (382,722)	\$ (383,822)	\$ (227,552)	\$ 156,270
Fund balance - July 1, 2005	415,984	415,984	415,984	
Fund balance - June 30, 2006.	\$ 33,262	\$ 32,162	\$ 188,432	\$ 156,270

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and Investments.	\$ 31,283	\$ 12,981	\$ 86,584	\$ 130,848
Due from other funds.	197			197
Total assets.	<u>\$ 31,480</u>	<u>\$ 12,981</u>	<u>\$ 86,584</u>	<u>\$ 131,045</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable.	\$ 550	\$	\$	\$ 550
Accrued wages payable	1,469			1,469
Due to other governments.	134			134
Total liabilities.	<u>\$ 2,153</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,153</u>
Fund balance:				
Unreserved.	29,327	12,981	86,584	128,892
Total liabilities and fund balances.	<u>\$ 31,480</u>	<u>\$ 12,981</u>	<u>\$ 86,584</u>	<u>\$ 131,045</u>

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

June 30, 2006

	Community Promotion/ Economic Development Fund	Building Department Fund	Library Fund	Lake Level/ Drains Fund	Combined Total
ASSETS					
Cash and investments.	\$ 13,841	\$ 1,464	\$ 656	\$ 15,322	\$ 31,283
Due from other funds.	197				197
Total assets.	<u>\$ 14,038</u>	<u>\$ 1,464</u>	<u>\$ 656</u>	<u>\$ 15,322</u>	<u>\$ 31,480</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable.	\$ 500	\$ 50	\$	\$	\$ 550
Accrued wages payable	128	1,341			1,469
Due to other governments.			134		134
Total liabilities.	\$ 628	\$ 1,391	\$ 134	\$	\$ 2,153
Fund balance.	13,410	73	522	15,322	29,327
Total liabilities and fund balance.	<u>\$ 14,038</u>	<u>\$ 1,464</u>	<u>\$ 656</u>	<u>\$ 15,322</u>	<u>\$ 31,480</u>

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

June 30, 2006

	Fire Stations Bond Fund	Combined Totals
ASSETS		
Cash and Investments.	\$ 12,981	\$ 12,981
LIABILITIES AND FUND BALANCE		
Fund balance.	\$ 12,981	\$ 12,981

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

June 30, 2006

	Water Improvement Construction Fund	Combined Total
ASSETS		
Cash and Investments	\$ 86,584	\$ 86,584
LIABILITIES AND FUND BALANCE		
Fund balance	\$ 86,584	\$ 86,584

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 71,944	\$ 44,834	\$	\$ 116,778
Licenses and permits.	34,950			34,950
State source.	99			99
Interest earnings	2,219	542	3,420	6,181
Total revenues.	\$ 109,212	\$ 45,376	\$ 3,420	\$ 158,008
Expenditures:				
Current:				
General government.		300		300
Public safety - Building inspection	35,687			35,687
Public works - Drains	1,965			1,965
Community and economic development.	37,483			37,483
Recreation and culture.	20,922			20,922
Debt service:				
Principal		35,000		35,000
Interest and finance charges.		10,516		10,516
Total expenditures.	\$ 96,057	\$ 45,816	\$	\$ 141,873
Excess of revenues over (under) expenditures.	\$ 13,155	\$ (440)	\$ 3,420	\$ 16,135
Other financing sources:				
Operating transfers in.	800			800
Excess of revenues and other sources over (under) expenditures.	\$ 13,955	\$ (440)	\$ 3,420	\$ 16,935
Fund balance - July 1, 2005	15,372	13,421	83,164	111,957
Fund balance - June 30, 2006.	\$ 29,327	\$ 12,981	\$ 86,584	\$ 128,892

JANZ & KNIGHT, P.L.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2006

	Community Promotion/ Economic Development Fund	Building Department Fund	Library Fund	Lake Level/ Drains Fund	Total
Revenues:					
Taxes	\$ 49,636	\$	\$ 20,823	\$ 1,485	\$ 71,944
Licenses and permits.		34,950			34,950
State source.			99		99
Interest earnings	1,257	9	122	831	2,219
Total revenues.	\$ 50,893	\$ 34,959	\$ 21,044	\$ 2,316	\$ 109,212
Expenditures:					
Current:					
Public safety - Building inspection		35,687			35,687
Public works - Drains				1,965	1,965
Community and economic development.	37,483				37,483
Recreation and culture.			20,922		20,922
Total expenditures.	\$ 37,483	\$ 35,687	\$ 20,922	\$ 1,965	\$ 96,057
Excess of revenues over (under) expenditures. .	\$ 13,410	\$ (728)	\$ 122	\$ 351	\$ 13,155
Other financing sources:					
Operating transfers In.		800			800
Excess of revenues and other sources over expenditures	\$ 13,410	\$ 72	\$ 122	\$ 351	\$ 13,955
Fund balance - July 1, 2005		1	400	14,971	15,372
Fund balance - June 30, 2006.	\$ 13,410	\$ 73	\$ 522	\$ 15,322	\$ 29,327

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2006

	Fire Stations Bond Fund	Combined Totals
Revenues:		
Taxes	\$ 44,834	\$ 44,834
Interest earnings	542	542
Total revenues.	\$ 45,376	\$ 45,376
Expenditures:		
Audit fees.	300	300
Debt service:		
Principal	35,000	35,000
Interest and finance charges.	10,516	10,516
Total expenditures.	\$ 45,816	\$ 45,816
Excess of revenues over (under) expenditures.	\$ (440)	\$ (440)
Fund balance - July 1, 2005	13,421	13,421
Fund balance - June 30, 2006.	\$ 12,981	\$ 12,981

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2006

	Water Improvement Construction Fund	Combined Totals
Revenues - interest earnings	\$ 3,420	\$ 3,420
Excess of revenues over expenditures	\$ 3,420	\$ 3,420
Fund balance - July 1, 2005.	83,164	83,164
Fund balance - June 30, 2006	\$ 86,584	\$ 86,584

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2006

	<u>Escrow Fund</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 101,913	\$ 16	\$ 101,929
Due from other funds	<u>7,765</u>	<u> </u>	<u>7,765</u>
Total assets	<u>\$ 109,678</u>	<u>\$ 16</u>	<u>\$ 109,694</u>
LIABILITIES			
Accounts payable	\$ 77,500	\$	\$ 77,500
Due to other funds	32,178		32,178
Due to other governments	<u> </u>	<u>16</u>	<u>16</u>
Total liabilities	<u>\$ 109,678</u>	<u>\$ 16</u>	<u>\$ 109,694</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
COMMUNITY PROMOTION/ECONOMIC DEVELOPMENT
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 49,950	\$ 49,950	\$ 49,636	\$ (314)
Interest earnings			1,257	1,257
Total revenues	\$ 49,950	\$ 49,950	\$ 50,893	\$ 943
Expenditures:				
Current:				
Salaries and benefits	20,975	20,975	16,629	4,346
Memberships and dues			500	(500)
Postage	3,400	3,400	1,895	1,505
Beautification	13,500	13,500	6,248	7,252
Cable TV	2,000	2,000		2,000
Memorial Day parade	500	500	313	187
Website	2,825	2,825	3,550	(725)
Fireworks	750	750	750	
Printing and publishing	6,000	6,000	7,598	(1,598)
Total expenditures	\$ 49,950	\$ 49,950	\$ 37,483	\$ 12,467
Excess of revenues over expenditures	\$	\$	\$ 13,410	\$ 13,410
Fund balance - July 1, 2005				
Fund balance - June 30, 2006	\$	\$	\$ 13,410	\$ 13,410

JANZ & KNIGHT, P.L.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Licenses and permits.	\$ 38,500	\$ 38,500	\$ 34,950	\$ (3,550)
Interest earnings	100	100	9	(91)
Total revenues.	\$ 38,600	\$ 38,600	\$ 34,959	\$ (3,641)
Expenditures:				
Current:				
Salaries.	34,135	34,135	28,675	5,460
Benefits.	6,236	6,236	5,933	303
Supplies and miscellaneous.	2,650	2,100	1,079	1,021
Total expenditures.	\$ 43,021	\$ 42,471	\$ 35,687	\$ 6,784
Excess of revenues over (under) expenditures.	\$ (4,421)	\$ (3,871)	\$ (728)	\$ 3,143
Other financing sources:				
Operating transfers in.	4,421	4,421	800	(3,621)
Excess of revenues and other sources over (under) expenditures	\$	\$ 550	\$ 72	\$ (478)
Fund balance - July 1, 2005	1	1	1	
Fund balance - June 30, 2006.	\$ 1	\$ 551	\$ 73	\$ (478)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 20,949	\$ 20,949	\$ 20,823	\$ (126)
State sources	100	100	99	(1)
Interest earnings	20	20	122	102
Total revenues	\$ 21,069	\$ 21,069	\$ 21,044	\$ (25)
Expenditures:				
Contractual services	20,949	20,949	20,823	126
Miscellaneous	100	100	99	1
Total expenditures	\$ 21,049	\$ 21,049	\$ 20,922	\$ 127
Excess of revenues over expenditures	\$ 20	\$ 20	\$ 122	\$ 102
Fund balance - July 1, 2005	400	400	400	
Fund balance - June 30, 2006	\$ 420	\$ 420	\$ 522	\$ 102

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LAKE LEVEL/DRAINS FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,500	\$ 1,500	\$ 1,485	\$ (15)
Interest earnings	75	75	891	756
Total revenues.	\$ 1,575	\$ 1,575	\$ 2,316	\$ 741
Expenditures:				
Lake level - county drain	2,500	2,500	1,965	535
Audit	50			
Total expenditures.	\$ 2,550	\$ 2,500	\$ 1,965	\$ 535
Excess of revenues over (under) expenditures.	\$ (975)	\$ (925)	\$ 351	\$ 1,276
Fund balance - July 1, 2005	14,971	14,971	14,971	
Fund balance - June 30, 2006.	\$ 13,996	\$ 14,046	\$ 15,322	\$ 1,276

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
FIRE STATION BOND FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 45,566	\$ 45,566	\$ 44,634	\$ (732)
Interest earnings	150	150	542	392
Total revenues	\$ 45,716	\$ 45,716	\$ 45,376	\$ (340)
Expenditures:				
Audit fees	100	300	300	
Debt Service:				
Principal	35,000	35,000	35,000	
Interest	10,116	10,116	10,116	
Paying agent fees	500	500	400	100
Total expenditures	\$ 45,716	\$ 45,916	\$ 45,616	\$ 100
Excess of revenues over (under) expenditures . . .	\$	\$ (200)	\$ (440)	\$ (240)
Fund balance - July 1, 2005	13,421	13,421	13,421	
Fund balance - June 30, 2006	\$ 13,421	\$ 13,221	\$ 12,981	\$ (240)

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JANZ & KNIGHT, P.L.C.

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50
YEARS
1954-2004

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ROBERT I. KNIGHT
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JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 6, 2006

To The City Council and Management
of the City of Sylvan Lake

In planning and performing our audit of the general purpose financial statements of the City of Sylvan Lake for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City of Sylvan Lake's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. Expenditures significantly exceed budgeted amounts in the following areas:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Employee benefits	\$ 257,527	\$ 264,576	\$ 7,049
General	Capital outlay		50,747	50,747
Major Road	Construction		71,979	71,979*
Local Road	Construction		172,019	172,019*

*Construction expenditure budgeted in capital project fund.

Budgets should be amended prior to approval of expenditures, including accruals, which will exceed the budget. Budgets should also reflect appropriation of prior year fund balance when required for a balanced budget. Appropriations should not exceed fund balance when adjusted at year end.

Accounts should be reviewed, reconciled and adjusted monthly to supporting detail. Accounts not fully reconciled give opportunity to erroneous reports.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses as defined above. However, the reportable conditions described above are not believed to be a material weakness.

This report is intended solely for the information and use of the City Council, management, and others within the administration. However, this report is a matter of public record, and its distribution is not limited.

We would be pleased to discuss any of the aforementioned items with the Council and to assist in the implementation of these recommendations at your convenience.

Very truly yours,

Jammy & Knight, PLC

Certified Public Accountants

J&K/srz